

# МЕЖДУНАРОДНЫЕ ЭКОНОМИЧЕСКИЕ ОТНОШЕНИЯ

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## COMPARISON OF MARKET OPENNESS OF CHINA, RUSSIA AND ITALY<sup>2</sup>

**Abstract.** The paper compares the market openness of China, Russia and Italy. The comparison is performed in relative terms in the form of openness to foreign trade and investment, trade policy comparisons and tariffs. The paper shows that all selected states are less open economies. China and Russia have increased their openness in the context of economic transformation and WTO accession. If we compare the openness of China, Russia and Italy in recent years, Italy is the most open economy, given the size of the economy and its EU membership. When we compare the openness of China and Russia, according to the indicators of openness and according to the analysis of tariffs, it follows that Russia is a more open economy compared to China. Exploration of openness requires a more dimensional approach, so far there is no unambiguous indicator that would allow the openness to be determined. Monitoring the openness of the economy is important because openness affects allocation of resources and labor, income distribution, possibility of increase in efficiency, market size growth, transfer of skills and technology, increase in productivity and economic growth. From the methodological point of view, general methods of socio-economic research (description, analysis, systematization, abstraction and synthesis) were used. Comparison of openness was performed with the help of statistical data and their analytical processing in tables and graphs. The aim of this paper was to contribute to the debate related to market openness. There is no indicator to determine the openness of an economy. The indicators used have some weaknesses; to determine business openness, it is necessary to consider more factors and only by their comprehensive evaluation can we assess the market openness.

**Key words:** market openness; indicators of openness; export, import; GDP; China; Russia; Italy; foreign trade; foreign direct investment; trade policy; tariffs.

### Introduction

Market openness is a debated and topical issue, because openness affects an efficient allocation of resources, transfer of skills and technology, can increase labor and factor productivity, economic growth and income distribution. Empirical studies show that in the long run more open countries have higher economic growth [1–4].

Many theories (the theory of absolute and comparative advantages, the theory of differences in factor endowments, Heckscher–Ohlin model, new trade theories, gravity model and others) have explored the reasons why countries are involved in international

trade. Most theories confirm that engaging in foreign trade relations increases the wealth of all participating countries, allowing for higher productivity factors, and also increasing the consumption potential of the country's population [5, 6].

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The aim of this paper is to compare openness to trade and foreign direct investment (FDI) of China, Russia and Italy. China and Russia were transition economies which started to open more in the 1990s. Russia first became a democracy and then opened up the economy. China opened up firstly while still being autocracy and then tries to become more democratic. The Chinese way is, according to Giavazzi and Tabellini, more complicated, but the states that performed it are much better in terms of growth, investment, trade volume and macro policies than the rest [7].

### 1. Measurement of market openness

Reviewing the literature and empirical studies on international relations show that there is not clear definition of market openness and that there are difficulty in measuring openness. Openness can be defined as the extent of which a country takes part in the foreign trade and allows foreign firms to do business in its domestic market.

If market openness is analyzed in relation to the form of the country's trade policy, then the finding of a degree of openness is based on trade barriers that the state uses (average tariff rates, trade-weighted average tariffs, average coverage of quantitative barriers and frequency of non-tariff barriers) [8]. Market openness can also be judged in a broader context. In this case, other aspects that influence the openness of the economy, such as geographical location, outward orientation of country, export and imports patterns, are taken into account when determining market openness [1, 9] Market openness can also be measured through business flows. In this case trade dependency ratios are used [2, 10, 11].

There are several ways to measure openness [12]. The most commonly used indicators of openness of the national economy are as follows:

- (Exports+imports of goods and services)/GDP;
- Exports of goods and services /GDP;
- Imports of goods and services /GDP;
- Ratio of total foreign trade to GDP (Exports+imports of goods and services)/ aggregate demand;
- a comprehensive indicator of openness, taking into account the country's share of total world exports [12];
- trade barriers (average tariff rates, trade-weighted average tariffs) [13].

#### 1.1. Factors influencing of market openness

The degree of openness of the economy depends on several aspects. The most important are the size of the economy, trade policy regime, the geographical location (measure of distance to potential trade partners), the political orientation of the country, economic system, international political and economic relations, the degree of dependence of the country on foreign trade, economic level of the country, position in the international division of labor and tendency in the world economy.

It is very problematic to clearly identify the economy as open. More aspects and indicators of openness have to be taken into account, because even a state that has a liberal trade policy (low tariffs and with minimum quantitative restrictions) can be managed by measures in other areas that have a negative effect on trade. Examples include support for agriculture, environmental protection, technical regulations, sanitary and phytosanitary measures, standards and certification. In the last decades, there have been substitutions with non-tariff barriers. Its purpose is to control the quantity of imported goods, its prices due to the impact on the domestic producer and its competitiveness, to protect against unfair practices such as dumping and subsidized imports, to ensure consumer protection in terms of quality, safety or protection of natural wealth.

Due to the growing importance of non-tariff measures, international organizations are also involved. OECD has developed a classification of these measures; there are core non-tariff measures, including quantity and price controls, and non-core border non-tariff measures, which include financial measures, customs procedures and other categories that are labeled as standards and certifications, and domestic management, which includes production subsidies, export subsidies, investment restrictions, distribution or traffic constraints, and procedural administrative problems. With regard to the extent of use and the growing importance of non-tariff measures, WTO also plans to create clear rules for their use, harmonization and the establishment of procedures for their application.

Sachs and Warner classified a country as having policy openness if it does not exhibit characteristics such as

1. Typical tariff rates of 40 percent and above on imported goods.
2. Non-tariff barriers amounting to 40 percent or more on imported goods.
3. Black market exchange rate premium of 20 percent or more.
4. An economic system based on socialist vision.
5. State monopoly on major exports [1].

Small economies are highly open, they are heavily dependent on imports of raw materials, technologies or other factors of production, as well as economies that are heavily specialized in the fields in which they achieve comparative advantages.

Sufficient size of the domestic market, geographically large countries, high natural resources and production factors and diversified production leads to a lower degree of openness.

### ***1.2. Effects of greater openness***

Among the advantages of the economy's openness we can include a more efficient

allocation of production resources, productivity growth, possibility of increase in efficiency, market size growth and the use of foreign demand and supply, increasing competition in the domestic market, increasing specialization of the economy, higher realization of comparative advantages from international exchange, lower consumer prices, the import of new products, technologies and knowledge (the capacity of each country to absorb knowledge spillovers is different), and higher consumption opportunities for domestic residents. Tsai and Huang argued that countries open to trade grow relatively faster than the closed economies, because an open trade regime facilitates efficient transmission of price signals from international market to the national economy [14]. Enhances diffusion of production and transfer knowledge and technology improves national efficiency as a result of increased competition. The accurate price indicator from international market results in efficient distribution of resources in national economy based on its comparative advantage that leads to faster growth.

The disadvantage of greater openness is the dependence on the business cycle of major trading partners, the higher vulnerability of the economy due to dependence on strategic imports and the declining autonomy of the country's economic policy.

### ***1.3. Costs versus benefits of openness***

Empirical studies generally show that it is difficult to determine, the range of costs and benefits [15]. Costs remain limited compared to possible gains from trade openness. However, the impact of costs may be much greater for several reasons:

- generally concentrate on several sectors or regions;
- the nature of these costs is not directly offset against profits from trade openness;

- costs and benefits are realized at a different time scale: costs tend to be more significant in the first years after opening;
- costs and benefits are usually spatially separated.

The spatial concentration of industrial activities and services, together with corresponding regional specializations, transform these sectoral inequalities into spatial inequalities. The spatial dimension is therefore crucial: in declining regions, job losses are a clear cost; advantages derived from comparative advantages are only evident in dynamic regions. The benefits of freer trade outweigh its cost, because market openness enables reduction of inefficiencies by reallocation the resources and increasing competition.

## 2. Analysis of openness of China, Russia and Italy

In assessing the openness of selected states, their share in world exports, geographical location, country trade policy and openness to FDI were monitored. Trade openness was measured by a comprehensive indicator of trade openness, taking into account the country's share of total world exports [12], a share of exports, imports and trade ratio (exports+imports) in GDP. Exports and imports are part of GDP. Trade and FDI are connected through economic identity relationship:

$$(X - M) = (S - I) + (T - G).$$

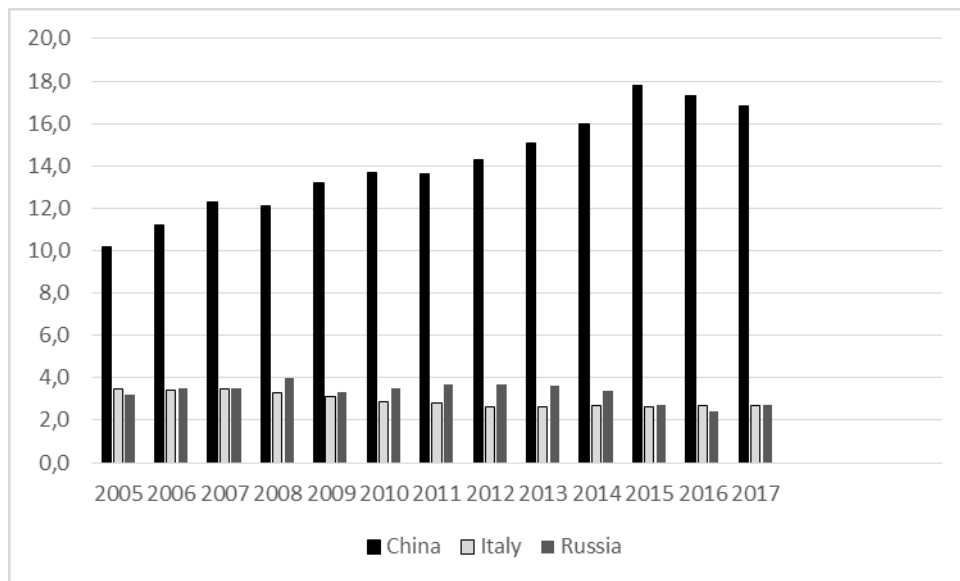
$(X - M)$  is exports minus imports, the trade surplus,  $(S - I)$  is private saving minus private investment (it includes foreign capital, for example FDI),  $(T - G)$  is taxes minus government spending, or the government budget balance.

### 2.1. The share of countries in world exports

Three countries, China, Russia and Italy, were selected to compare the openness of the markets, because this paper was created as part

of the project '*Comparative Methodology and its Application by Examining the Specific International Business Environment (Case study of China)*'. First, we will monitor the share of exports of selected countries to world exports. China represents a significant share in world trade in absolute terms. The share in the world export was 17 % in case of China, and less than 3 % in case of Russia and Italy in 2017. (The calculation is based on EUROSTAT data). China's greater involvement in foreign trade can be traced back to the 1980's when China implemented an open door policy, opening up 4 special zones that had easy access to foreign markets and gradually turned away from existing isolation and opened up to the world. The higher opening of China took place after 2001, when China entered the WTO. Both exports and imports were supported by reducing tariffs and quantitative restrictions and opening up other sectors for investors. Some tariffs were cut before accession to the WTO, some until 2004, and 2010 was the final year for the reduction of tariffs. China is an example of quite successful trade liberalization in recent years. China shows that greater openness and integration to the world economy can accelerate economic growth.

The share of Chinese exports in world exports has steadily increased. China has been the world's largest exporter of goods since 2009. The graph 1 shows that Chinese exports increased from 2005 to 2007, followed by a slight decrease in 2008. Since then the share of Chinese exports to world exports has increased again. In 2016 and 2017, the share fell slightly, accounting for about 17 % of the world's exports. Italy accounted for 3,5 % of world exports for the period under review, and its share gradually declined to the current 2,7 %. Russia's share of world exports in 2005 was 3,2 % and grew to 4 % in 2008, since then Russia's share of world exports has declined. In 2017, Russia accounted for less than 3 % of world exports.



*Graph 1. Share of national exports in world exports*

Source: EUROSTAT, WB and author's own work/calculation

## 2.2. Geographical location

In terms of geographical location, all three states have good conditions, good location, access to the sea and neighboring states as trade partners. China is located in Southeast Asia along the coastline of the Pacific Ocean. China is bordered by 14 countries – Russia, Korea, Vietnam, Laos, Burma, India, Bhutan, Nepal, Pakistan, Afghanistan, Tajikistan, Kyrgyzstan, Kazakhstan, and Mongolia.

Russia is located in northern Eurasia. It is the world's largest country. Russia is bordered by some seas and 14 countries – Norway, Finland, Estonia, Latvia, Lithuania, Poland<sup>3</sup>, Belarus, Ukraine, Georgia, Azerbaijan, Kazakhstan, Mongolia, China and North Korea.

Countries that are geographically larger (Russia and China) have a wider range of resources and climate variation and so are able to produce more diversified range of products and thus have less need for external trade than small economies.

Italy is located in southern Europe. Italy is bordered by the Adriatic, Tyrrhenian,

Ionian, and the Mediterranean Sea, France, Switzerland, Austria, and Slovenia.

As transport costs have declined over time the negative impact of distance on trade has fallen over time. An unfavourable economic location is having a smaller effect on trade over time. Access to the sea is fairly significant because a large part of international trade is carried out by sea transport [16].

## 2.3. Indicators of openness of the national economy

In this part of the article, we compare the export share of the selected country to GDP. The World Bank (WB) provides data for Russia from 1989 to 2017. The average value for Russia exports of goods and services as percent of GDP during that period was 30,95 percent. The World Bank provides data for China and Italy from 1960 to 2017. The average value for China during that period was 14,12 percent and the average value for Italy during

<sup>3</sup> Via the Kaliningrad region.

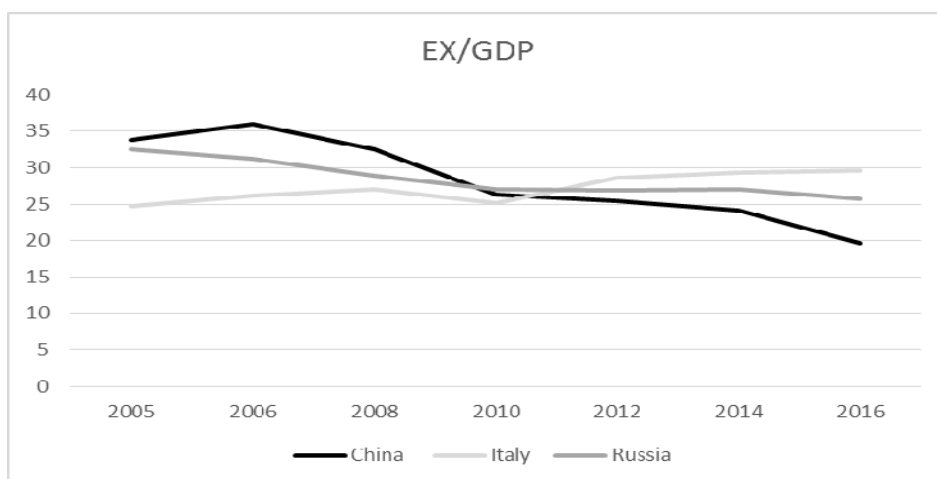
that period was 21,02 percent with a maximum of 31,3 percent in 2017. Comparison of the development of this indicator for the selected states in the years 2005–2016 is shown in the graph.

The share of exports to GDP is the most stable for Italy, moving around 25–30 %. In the case of Russia, the share of exports to GDP is gradually falling from 33 % to 25 %. The share of Chinese exports in GDP at the beginning of the reference period was 34 %, then rising, reaching 36 % in 2006, and hence declining to the current level, which is 20 %. The share of exports in GDP shows the weight of foreign trade in the performance of economy. In order to find out what part of the production is actually intended for export, we should compare turnover indicators. From production, subtract the value of intermediate consumption and reduce exports by the value of imports. The actual share of exports in the production of the economy would be lower in all selected states than the indicator of the share of exports in HDP.

The share of import to GDP is the most stable in the case of Russia, which is around

20 %. Similarly, in the case of Italy, where the share of imports to GDP is around 25–27 % in the period under review. The share of Chinese imports in GDP at the beginning of the reference period was 29 %, then declining to 17 % in 2016.

Now we will use exports plus imports as percent of GDP for the comparison of the openness of selected economies. The average value for that indicator for China for the period 1960–2017 was 26,74 % with a minimum of 4,92 % in 1971 and a maximum of 64,48 % in 2006<sup>4</sup>. This implies that China has opened significantly over the past three decades. According to WB data and the graphs, trade openness is increasing in China over time, with the most significant increase in 2003–2007, currently is around 40 %. Exports continue to be dominated by manufactures, which accounted for 93,7 % of total merchandise exports in last years. The main destinations for merchandise exports are the United States; the European Union; Hong Kong and Japan. The main sources of China's imports are the European Union; the Republic of Korea and the United States<sup>5</sup>.



Graph 2. Share of exports in GDP

Source: OECD, WB and author's own work/calculation



The World Bank provides data concerning market openness for Russia from 1989 to 2017. The average value for Russia during that period was 53,86 %. In the case of Russia, the indicator was the highest in 1992, since 2000 the share of exports and imports to GDP is around 50 %. The average value for Italy for the period 1960–2017 was 41,42 % with a minimum of 25,36 % in 1960 and a maximum of 59,51 % in 2017<sup>6</sup>. The value of the indicator has changed over the years, but WB data show that Italian economy is increasingly opening up. The openness of the economy is around 55 % now. Comparison of the indicator in 2005–2017 is given in the graph below.

In 2005 China's exports and imports to GDP ratio was more than 60 %. Since 2008, when the world hit the economic recession, the share has declined. The value exports and imports to GDP in 2010 and 2011 was 50 %. Since 2012 the share has declined again. The indicator export + import to Italy's GDP is in the range of 50–60 %, with the exception of 2009 when it dropped to 45 %. The indicator

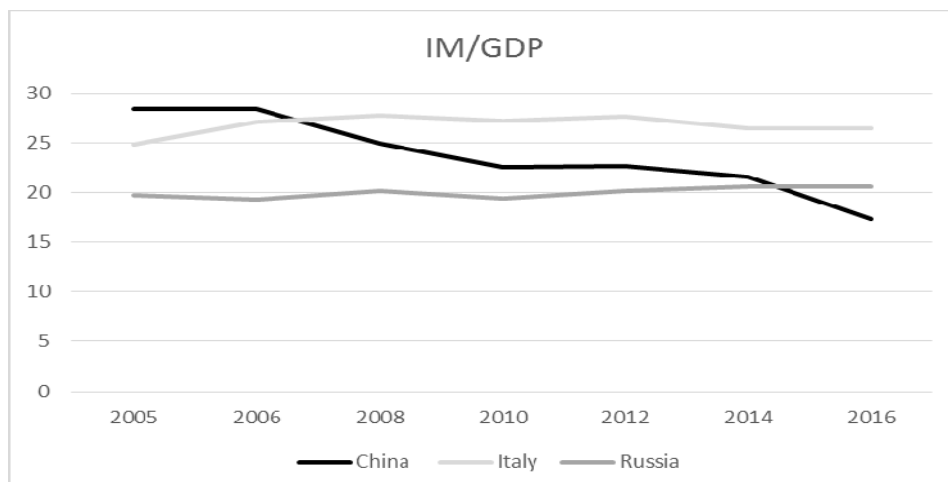
export + import to GDP in Russia in the monitored period was around 50 %, without major fluctuations.

Average export and import as percent of GDP over a longer period of time in three selected countries shows that the highest market openness is reported by Russia, followed by Italy and the least open economy appears to be China. In recent years, Italy has the highest trade openness, which confirms a fact that smaller economies are more open than large economies. According to the most recent World Bank data, the average trade openness for 2017 was 91,59 %. The highest value was in Luxembourg (423,99 %) and the lowest value was in Sudan (21,51 %). The highest trade openness in selected countries was in Italy, it was 59,5 % (107<sup>th</sup> place), Russia 46,7 % (123<sup>th</sup> place) and China 37,8 % (135<sup>th</sup>). It follows that the openness of China, Russia and Italy is far below the world

<sup>4</sup> WB data.

<sup>5</sup> WTO statistical reports.

<sup>6</sup> WB data.



Graph 3. Share of imports in GDP

Source: OECD, WB and author's own work/calculation

average in 2017. The situation of openness is changing in time. However, in 2017 the highest openness of three selected countries was in Italy that was in line with the above trend. In the case of Italy it is possible to observe an increase in openness in recent years.

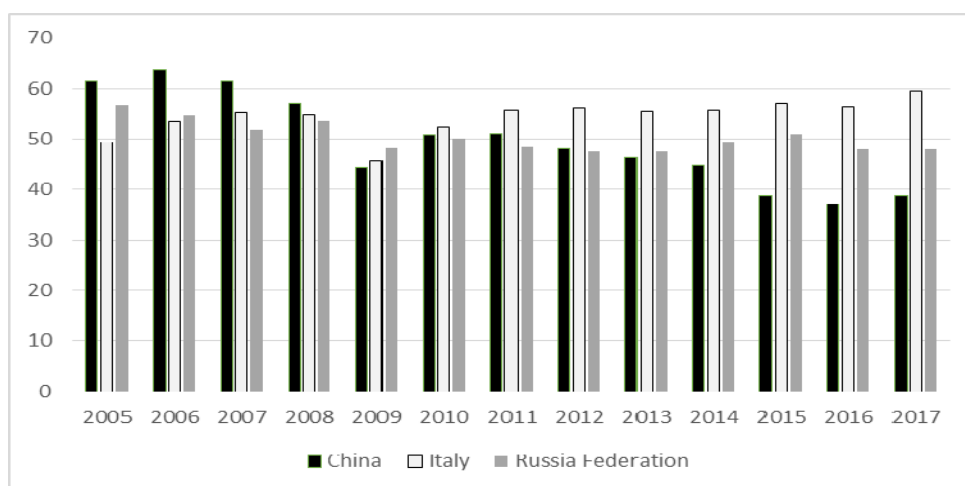
#### 2.4. Trade policy and tariffs

The degree of openness is also influenced by the state's trade policy and the amount of tariffs and non-tariff measures.

The simple average applied MFN rate in China in 2017 was 9,8 %, tariffs on agricultural products 15,6 % and non-agricultural products 8,8 %. In 2015 and 2017, China reduced import tariffs on selected consumer goods (such as cosmetics, clothing, and more). Similar tariff reductions are quite regular, but mostly concern only marginal imports. China maintained also a number of non-tariff measures (import quotas, import licenses, anti-dumping, safeguard, and some countervailing measures). Anti-dumping measures are mostly targeted at Japan, the United States, the European Union and the Republic of Korea. China applies price controls on commodities

and services deemed to have an impact on the national economy, national industries and people's livelihoods. The commodities and services subject to price controls are listed in a Central Government Pricing Catalogue and in Local Government Pricing Catalogues<sup>7</sup> Exceptions and a number of sub-regulations reduce the transparency of the Chinese customs system.

Russia underwent a reform program aimed at transforming economy to a market-oriented one. Liberalization of trade and investment were very important in this process. The main objectives of the trade policy are to foster its global competitiveness, and create favorable conditions for its continuous growth and sustainable development. Regulation of activities in the field of external economic relations, including import conditions, is defined in the Customs Tariff. Since acceding to the WTO in 2012, MFN applied tariffs have been reduced from a simple average of 11 % to 6, 7 % in 2017, tariffs on agricultural products 10,2 % and non-agricultural products 6,2 % in 2017. 2020 is the final year for reduction of tariffs. Russia applies the common non-



Graph 4. Share of exports and imports in GDP

Source: UNCTAD, WB and author's own work/calculation



tariff measures (technical regulations, related product testing, certification requirements, prohibition on imports, quantitative restrictions on imports, the exclusive right to import, monitoring of imports and authorization procedures for imports). Russia has become a frequent user of anti-dumping and safeguard measures<sup>8</sup>.

As far as Italy is concerned, we need to examine the EU's trade policy, because trade policy is one of the so-called common policies. In 2015, the European Commission issued a new trade and investment policy for the EU – Trade for all: Towards a more responsible trade and investment policy. The new policy aimed at support of the growth of global value chains, services trade, and e-commerce. The main objectives include reducing non-tariff barriers and increasing trade in services. The simple average applied MFN tariff was 5,1 %, tariffs on agricultural products 10,8 % and non-agricultural products 4,2 % in 2017. The EU has a comprehensive network of arrangements for preferential trade with free trade agreements and non-reciprocal preferences under the GSP, GSP+, and Everything-but-Arms regimes.<sup>9</sup> The EU is among the WTO's most frequent users of contingency measures.

Tariff comparison can be made on the basis of the data in the tables.

The lowest tariffs are applied by Italy which follows from the principles of the EU's Common Commercial Policy. When comparing the tariffs of Russia and China, it is obvious that Russia uses lower tariffs. In the period under review, Russia also cut its tariffs the most. So if we compare tariffs and monitor the openness of economies, from this point of view, Italy is most open economy, more than

one percent higher are Russia's tariffs, and a few tenths higher are tariffs in China.

### 2.5. Openness to FDI

The paper includes openness to FDI. FDI inflows and outflows are measured in country's GDP. The average value for FDI as a percent of GDP for China for the period 1989–2017 was 2,84 percent with a minimum of 0,21 percent in 1982 and a maximum of 6,19 percent in 1993<sup>10</sup>. The share is not very high in case of China not because the FDI is declining but because the GDP is growing faster. Before 1979, foreign investors were unable to enter the Chinese market. In terms of economic reforms, conditions for investment from abroad were formulated. As a result of strict rules, the volume of foreign direct investment in the 1980s grew slowly, over the course of the 90's, barriers protecting the internal market, and foreign investment began to decrease. The increase was due to greater sales of products on the Chinese market, but also stimulating government measures (tax holidays, half-year tax rates, duty-free import of components for production, favorable land rentals) [17]. Over time, the fields of foreign investment have changed. In the early 1980s, the Chinese government allowed investment in tourism and geological surveys. Hospitality and tourism aimed to create conditions for foreign visitors comparable to Western standards. Geological survey was to lead to the expansion of oil production. From the second half of the 1980's investment in industrial production intended primarily for export prevailed. Although the government has tried to prioritize more technologically demanding production, the unprofessional activities has expanded. China continues to be one of the world's largest recipients of FDI now. FDI

<sup>7</sup> WTO statistical reports and Trade Policy Review: China, 2018.

<sup>8</sup> WTO statistical reports and Trade Policy Review: Russian Federation. 2016.

<sup>9</sup> WTO statistical reports and Trade Policy Review: European Union. 2017.

<sup>10</sup> WB data.

inflows have been growing for several years. Major recipients of investment inflows in last years were manufacturing, real-estate, leasing and business services. China is a significant investor too. Outward FDI has also been trending upwards for a few years.

The World Bank provides data concerning FDI as percent of GDP for Russia from 1992 to 2017. The average value for Russia during that period was 1,83 percent with a minimum of 0,17 percent in 1994 and a maximum of 4,5 percent in 2008. In the past, FDI could not be attracted in the volume that matched the needs of the Russian economy, but the situation has changed in recent years. Foreign investment, technology transfer, and innovation are considered as important to the economic development of the country. High-tech parks, industrial clusters and special economic zones are promoted through special tax and infrastructure incentives. Foreign investors are

considering transparency, corruption, tax rates and the complexity of tax legislation, access to finance and respect for property rights when investing in Russia [18].

The World Bank provides data for Italy from 1970 to 2017. The average value for Italy during that period was 0,63 percent with a minimum of -0,4 percent in 2008 and a maximum of 3 percent in 2007.

From a longer-term view (WB data), the highest average FDI to GDP is in China (2,84 %) and Russia (1,83 %), the lowest average value is in Italy (0,63 %). But if we assess the data for 2017, the highest share of FDI to GDP is reported by Russia as 1,82 % is 119<sup>th</sup> place, then China is 1,37 % 135<sup>th</sup> and Italy 1,03 % is 144<sup>th</sup> in the world ranking.

### Key conclusions

The aim of this paper was to contribute to the debate related to the market

Table 1

Tariff rate, applied, weighted mean, all products (%)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>China</b>	4,87	4,25	5,07	4,47	3,94	4,65	5,99	*	*	4,74	4,52	3,54	3,83
<b>Italy</b>	2,26	2,15	2,06	1,56	1,7	1,89	1,43	1,31	1,38	1,84	1,89	1,96	1,79
<b>Russia</b>	10,48	*	7,26	8,59	8,12	5,2	7,24	6,84	6,21	5,37	3,08	3,62	3,61

\* Values were not shown.

Weighted mean applied tariff is the average of effectively applied rates weighted by the product import shares.

Source: WB, OECD and author's own work/calculation.

Table 2

Tariff rate, most favored nation, weighted mean, all products (%)

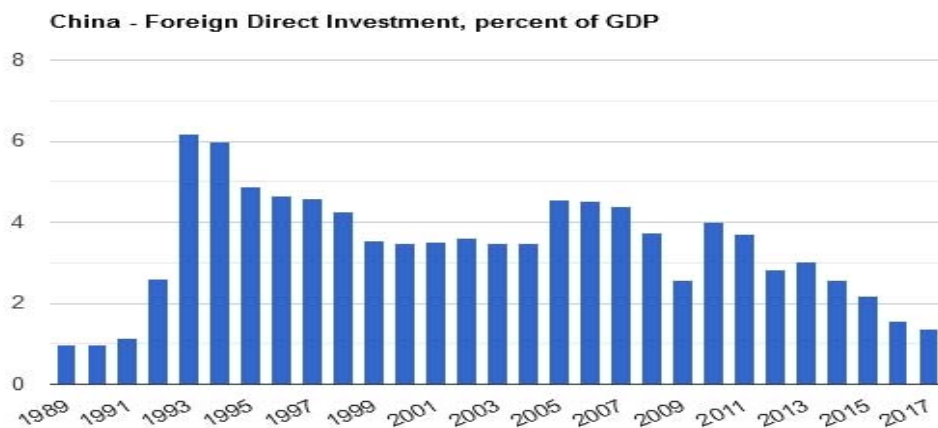
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>China</b>	4,9	4,4	5,48	4,87	3,97	5,3	6,97	*	*	5,6	5,58	4,29	4,89
<b>Italy</b>	3,31	3,17	3,07	2,83	3,1	2,84	2,83	2,64	2,84	2,81	2,96	3,16	3,14
<b>Russia</b>	10,48	*	8,04	9,35	8,81	7,99	7,98	8,07	7,37	6,43	5,54	4,56	4,45

\* Values were not shown.

Weighted mean most favored nations tariff is the average of most favored nation rates weighted by the product import shares.

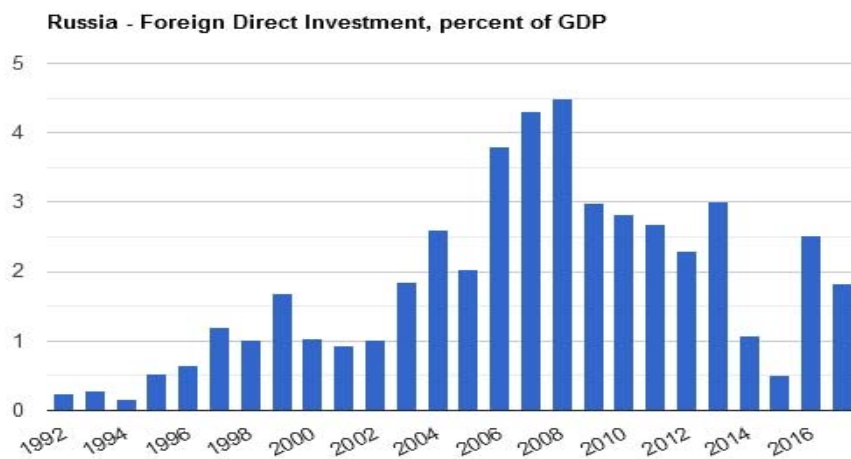
Source: WB, OECD and author's own work/calculation.

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Source: TheGlobalEconomy.com, The World Bank

Graph 5



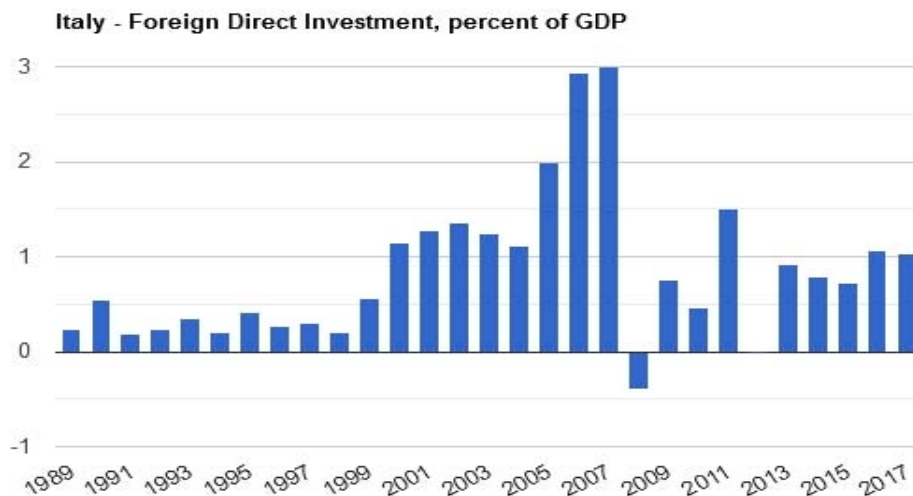
Source: TheGlobalEconomy.com, The World Bank

Graph 6

openness. We argue that market openness is a multidimensional concept that cannot be summarized to a single measure. None of the methods of measurement of market openness is optimal and we need to consider their possible inaccuracies and distortions in their use. Many studies used trade volumes or the share of trade in GDP. The advantage of this method is that it works with well-available data. Use of domestic or international prices to value the trade ratio is often discussed among economists. The disadvantage of this method is that it is based on the results of very complex interactions between several factors, so it is not clear whether the degree of trade openness is precisely captured. The problem also lies in the fact that the degree of openness depends on two different sets of factors. There are sources of endowments, mineral resources, land size, taste, technology, climate and other determinants of comparative advantage, and the secondly level of trade

restrictions. The first mentioned factors are given or cannot be politically influenced, while trade policy and trade restrictions are policy variables. We can see that the state has a high level of openness, but it is not clear whether this is due to the fact that it is a small economy or has few resources or that its inhabitants prefer foreign goods or rather because it is a state which has a low trade restriction.

The measurement of openness by exploring average tariffs is problematic too. It can lead to a significant variation in the estimate [19]. In some cases, the identification of these indicators is rather demanding and imperfect. Tariffs can be determined through customs tariff, but the problem arises when assessing non-tariff measures and determining their rate of application. Various methods have been used to remedy problems and there is still a debate among economists about which method is the most appropriate.



Source: TheGlobalEconomy.com, The World Bank

Graph 7

When studying the market openness of selected countries and comparing them in the world, we can say that China, Russia and Italy are among the less open economies. This is because China and Russia are particularly large economies (geographically large countries, sufficient size of the domestic market, high natural resources and production factors and diversified production). All countries have a favorable geographical location (measure of distance to potential trade partners, access to the sea) and also a fairly liberal trade policy. Italy has the most liberal trade policy because it is a member of the EU and applies the principles of the EU Common Trade Policy. In the case of China and Russia, there has been greater liberalization in connection with the country's accession to the WTO. If we compare selected countries, Italy is the most open economy. In recent years, the share of exports to GDP has increased (25–30 %), the share of imports to GDP is (25–27 %). Exports and imports of goods and services/GDP also increased over the reporting period. Since 2010, this indicator is the largest of the countries under comparison. Italy's high openness, the country's liberal trade policy and the fact that Italy uses the lowest tariff rates of the countries under comparison also supports it. Higher tariffs are applied only on agricultural products. In 2017 they were comparable to those used in Russia. FDI's share of GDP is lower for Italy, given the economic attractiveness, market size and

cost of production compared to the factors in China and Russia.

If we compare the openness of China and Russia, which are in terms of the size a comparable economy, we can conclude that both China and Russia have been significantly opened in the long run, due to the transformation of economies and their accession to the WTO. If we compare the openness of selected countries in the reporting period 2005–2017, the Russian market shows a greater degree of openness than the Chinese. It follows from the monitoring of the openness indicator (Exports+imports of goods and services/GDP). Since 2013, the value of this indicator has increased significantly in the case of Russia, currently around is 50 %. Higher openness in the Russian market is also underpinned by the decline of tariff rates. The problem remains the number of non-tariff measures applied. FDI has grown significantly in GDP in 2006–2008, but in recent years it has ranged 2–3 % with a few exceptions. The increasing openness of China has a big impact on the global economy and trade because China is a great economy and is the world's leading exporter now.

There is no indicator to determine the openness of the economy. The indicators used have some weaknesses; to determine business openness, it is necessary to consider more factors and only by their comprehensive evaluation can we assess the market openness.

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## **СРАВНЕНИЕ ОТКРЫТОСТИ РЫНКОВ КИТАЯ, РОССИИ И ИТАЛИИ<sup>11</sup>**

**Аннотация.** В статье сравнивается открытость рынка Китая, России и Италии. Сравнение проводится в относительном выражении в форме анализа открытости для внешней торговли и инвестиций, сравнений торговой политики и тарифов. В документе показано, что все выбранные государства являются менее открытыми экономиками. Китай и Россия повысили свою открытость в контексте экономических преобразований и вступления во Всемирную торговую организацию. Если мы сравним открытость Китая, России и Италии за последние годы, Италия является самой открытой экономикой, учитывая ее размеры и членство в Европейском союзе. Когда мы сравниваем открытость Китая и России по показателям открытости и по анализу тарифов, из этого следует, что Россия является более открытой экономикой по сравнению с Китаем. Исследование открытости требует более многомерного подхода, поэтому пока нет однозначного показателя, который позволил бы определить открытость. Мониторинг открытости экономики важен, потому что открытость влияет на распределение ресурсов и рабочей силы, распределение доходов, возможность увеличения эффективности, рост размера рынка, передачу навыков и технологий, повышение производительности и экономический рост. С методологической точки зрения использованы общие методы социально-экономических исследований. Сравнение открытости проводилось с помощью статистических данных и их аналитической обработки в таблицах и графиках. Целью данной работы было внести вклад в дебаты, связанные с открытостью рынка. Нет универсального индикатора для определения открытости экономики. Используемые показатели имеют некоторые недостатки. Чтобы определить открытость бизнеса, необходимо учитывать больше факторов, и только путем их всесторонней оценки мы можем оценить открытость рынка.

**Ключевые слова:** открытость рынка; показатели открытости; экспорт; импорт; ВВП; Китай; Россия; Италия; внешняя торговля; прямые иностранные инвестиции; торговая политика; тарифы.

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